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E.O. 12958: N/A
TAGS: ECON ETRD EINV EINT KIPR PREL TH
SUBJECT: "CREATIVE THAILAND" -- STRENGTHENING THE IT SECTOR AND
CREATING U.S. BUSINESS OPPORTUNITIES

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Summary
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¶1. (SBU)  In a February 18 meeting in Chiang Mai, the Ambassador
gathered executives from U.S. information technology (IT) firms
and officials from Thai government and public agencies for an
informal discussion on opportunities and challenges for U.S. IT
firms in Thailand.  All of the firms clearly expressed interest
in helping Thailand succeed on its path toward building a
knowledge-based, creative economy.  On human resources, the
business leaders praised the breadth of the country's IT talent,
but urged the RTG to establish a uniform set of IT skill
standards and a central certification process for applying it.
They also called for the national education system to more
closely integrate IT skills with business process management.
On infrastructure, the U.S. firms appealed for equal access to,
and fair/transparent pricing for, fixed and mobile telecoms
assets controlled by various state-owned entities.  On
intellectual property rights (IPR), the business executives
called for Thailand to adopt a strong data protection regime.
On RTG support for SMEs, they appealed for easier access to
credit and more liberal regulations for hiring foreign talent.


¶2. (SBU)  Looking ahead, the participants made the following
recommendations aimed at strengthening Thailand's IT sector and
expanding opportunities for U.S. firms to contribute:

--  Thailand should align its IT curricula more closely with
business process applications and the country's "Creative
Economy" push.

--  The business, government and academic sectors should
collaborate more closely in preparing Thai IT students for the
job market.  (Note:  the Consulate and Embassy are planning a
follow-on program in Chiang Mai that would introduce key players
to a U.S. expert on university consortiums in the IT field).

--  Thailand can facilitate its movement to a knowledge-based
economy by freeing up its fixed and mobile telecom assets via
fair and transparent pricing .

--  The RTG should participate in APEC's data privacy working
group as a means to strengthen its draft data protection
legislation.  End Summary.

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Ambassador Huddles with IT Stakeholders
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¶3. (SBU)  In a sidebar meeting during the recent
Consulate-hosted conference on "Northern Thailand's Creative
Economy:  Opportunities and Challenges in the IT Sector"
(septel), Ambassador met with a senior Ministry of Commerce
advisor, the Chairman of the Board of Thailand's Software
Industry Promotion Agency (SIPA), and the CEO of Thai Telephone
and Telecommunications (TT&T), a public fixed-line telephone
company and international internet gateway operator.  The
meeting also included executives from U.S. IT firms Microsoft,
IBM, Oracle and SAS Software, as well as three members of the
American Chamber of Commerce (AMCHAM) Information and
Communications Technology (ICT) Committee, plus a representative
of the Business Software Alliance (BSA) Asia office.
Participants discussed opportunities and challenges for U.S. IT
businesses in Thailand.

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IT and Human Resources:  Business, Government, Academia Need to
Collaborate
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¶4. (SBU)  The U.S. IT firms and AMCHAM members emphasized the
importance of greater collaboration among business, government,
and academia in preparing Thai IT students for the IT job
market.  They noted that despite Thailand's abundant IT human
resources talent, the country lacks a uniform set of IT skill
standards and certification.  The lack of a knowledge
certification process that complies with international IT
standards makes it difficult for potential investors to assess
the qualifications of the available labor pool.  Useful models

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already exist in Singapore and Australia, which Thailand should
emulate.  The Ministry of Information and Communication
Technology needs to define national IT skill standards, and the
Ministry of Education needs to apply them - this is important
for improving the quality and productivity of Thailand's IT
workforce.  The SIPA Chairman replied that SIPA has signed an
MOU with the Ministry of Education to support the development of
applied IT skills, as well as an IT/business skills incubation
project with the Software Park Thailand agency.

¶5. (SBU)  IBM-Thailand's Business Manager noted her work with
the Ministry of Education to introduce a business management
element into computer science curricula, in order to move away
from Thailand's current "silo approach" to one that integrates
IT skills with business process management.  She urged Chiang
Mai's seven universities to collaborate in this regard, and to
coordinate rather than compete in their development of
IT-related specialties.

¶6. (SBU)  Oracle-Thailand's Business Development Director noted
his company's academic initiative, which includes working with a
cluster of five universities in northern Thailand.  He cited two
key problems associated with the need to develop an IT
certification process:

--  Database.  Thailand lacks a central mechanism to collate
data for sharing with potential investors on who is certified in
what IT skills.

--  Budget.  Individuals often lack the several hundred dollars
needed to take a certification exam.

¶7. (U)  The participants concluded that the need is urgent for
Thailand to align its IT curricula more closely with the
business world and the country's "Creative Economy" push.
Universities and IT firms should work to develop more work
cooperative programs for students.  In northern Thailand, the
public and private sectors should make an effort to work

collaboratively with Chiang Mai's seven universities as group
(rather than individually) on the issues of applied learning and
knowledge certification.

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Infrastructure:  Unlock the Door to Fixed and Mobile Assets
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¶8. (SBU)  AMCHAM members stressed that for Thailand to broaden
its agriculture and manufacturing base into a more
knowledge-based economy, it must improve its telecommunications
infrastructure.  This includes not only breaking the stalemate
in the rollout of third generation (3G) telecommunications
services (see Bangkok 248), but also unlocking the door to
mobile and fixed assets, including land lines as well as
underutilized fiber optic cables controlled by various
state-owned entities.  AMCHAM called for equal access to such
assets for private and foreign companies of all sizes through
fair and transparent pricing.  This would increase international
broadband penetration rates, boost access and speed as well as
reduce prices, which in turn would facilitate Thailand's
movement to a knowledge-based economy.  The CEO of TT&T, one of
seven international internet gateway operators in Thailand and
the operator of the country's provincial fixed-line telephone
network, expressed support for AMCHAM's push, saying it was time
for Thai authorities to stop their in-fighting on these issues
and get them solved.

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IPR:  Concern Over Open Source Software and Data Protection
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¶9. (SBU)  Microsoft-Thailand's Corporate Affairs Director
identified software copyrights as a big issue.  On the one hand,
he praised the Thai government (RTG) for strengthening its IPR
enforcement and education efforts, and said Microsoft was "very
pleased" that Thailand's software piracy rate has decreased by
two percent a year since 2006.  On the other hand, he expressed
concern over the RTG's Creative Economy policy of promoting the
"open source" software model over the "commercial source" model
as a means to curb piracy.  (Note:  this is an issue for IT

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companies worldwide, and not unique to Thailand).

¶10. (SBU)  The Business Software Alliance (BSA) Director for
Software Policy-Asia also urged the RTG not to favor open source
over commercial source.  He argued that (1) the open source
model has been shown to have an insignificant impact on reducing
software piracy; and (2) by focusing on an open source policy,
the RTG signals the market to stunt the development of
commercial source software, which in turn undermines Thailand's
ability to fully service market needs.

¶11. (SBU)  The BSA rep also emphasized the importance of having
a strong data protection regime that is aligned with the
international regime.  He said Thailand's current low global
ranking in legal/regulatory environment is a disincentive to
foreign investors.  Passage of a date protection law would
improve the country's standing.  While recent efforts to
introduce such a bill in Parliament are encouraging, the current
draft needs improvement.  The BSA rep recommended the RTG
participate in APEC's data privacy working group in order to
learn more about international best practices and develop its
draft legislation accordingly - a path the Philippines recently
followed with good results.

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IT SMEs Need More Support
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¶12. (SBU)  AMCHAM members noted the role of small and medium

enterprises (SMEs) as important drivers in knowledge-based economies.  In Thailand, they argued, SMEs do not get enough support from the government.  They cited two problem areas:

-- Access to credit.  Thai banks may accept only hard assets as loan collateral, and do not allow contracts with recognized multinational companies to be used as collateral.  This emphasis on land ownership and other hard assets works against IT-sector investors who often do not bring hard infrastructure with them.

-- Free flow of human capital.  Thai labor and immigration laws make it difficult to hire foreign talent.  For this, work permit and visa regulations favor big companies with big investments and large hard assets such as heavy equipment.  This works against SMEs in the IT services sector.  AMCHAM argued that liberalizing the laws to ease hiring of foreign IT talent would serve as a magnet to attract follow-on foreign investment, as well as an expert workforce to support a knowledge-based economy.

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Unlimited Liability Is Barrier to Government Service Contracts
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¶13. (SBU)  IBM-Thailand, which scheduled the grand opening of its new Chiang Mai office (its first outside of Bangkok) to coincide with the eve of the Consulate's Creative Economy IT Conference, expressed concern over obstacles for multinational companies in securing government contracts for IT services.  The problem is that RTG practice is for the service-provider contractor to bear unlimited liability.  This long-standing issue is a deal-breaker for most IT service providers, thus limiting their dealings with RTG entities to hardware and software procurements.  But Thailand's Creative Economy campaign will require development of services and not just sales if it is to succeed.  SIPA's Chairman noted that smaller Thai IT firms voice the same concern, and he agreed on the need to open the government's IT services process to foreign firms as well as local ones.

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